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Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
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FM AMEMBASSY ALGIERS
TO SECSTATE WASHDC 5698

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E.O. 11652: N/A
TAGS: ECRP, EFIN, AG
SUBJECT: GOVERNMENT BUDGET FOR 1977
REF: CERP 0101, CERP 0102, CERP 0200

1. SUMMARY: ALGERIAN GOVERNMENT EXPENDITURE ESTIMATE FOR 1977 TOTALS 27.75 BILLION DINARS, REVENUE ESTIMATE 28 BILLION. STATE ENTERPRISES PLAN INVESTMENTS OF 25 BILLION. GOVERNMENT EXPENDITURE ESTIMATE UP 19.2 PERCENT, PLANNED INVESTMENT OF STATE ENTERPRISES UP 44 PERCENT. TOTAL INVESTMENT TO REMAIN EXCEPTIONALLY HIGH AND CONCENTRATED ON INDUSTRY. TAX CHANGES AFFECT ALCOHOL, RETURNING RESIDENTS, SMALL BUSINESS, HOUSING AND STATE ENTERPRISES. LITTLE INFORMATION ON FOREIGN TRANSACTIONS RELEASED BUT RESERVES PUT AT 90 DAYS' IMPORTS. END SUMMARY.

2. FINANCE MINISTER PRESENTED 1977 BUDGET TO PRESS JANUARY 3. FOLLOWING IS BASED ON REPORT IN OFFICIAL DAILY EL MOUDJAHID AS WE DO NOT YET HAVE BUDGET DOCUMENTS. FIGURES IN PARENTHESIS ARE ACTUAL FOR 1976. ALL FIGURES IN ALGERIAN DINARS (APPROXIMATELY US $0.24).

3. 1977 EXPENDITURES (CURRENT AND CAPITAL BUT EXCLUDING STATE ENTERPRISES) PROJECTED AT 27.75
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BILLION (23.285). 1977 CURRENT BUDGET (DEPENSES DE FONCTIONNEMENT) PUT AT 15.850 BILLION (14.6), CAPITAL BUDGET (DEPENSES D'EQUIPEMENT) AT 11.9 BILLION (8.685). INCREASES OVER 1976 ARE 8.6 PERCENT FOR CURRENT. 37.0 PERCENT FOR CAPITAL, 19.2 PERCENT OVERALL.

4. REVENUE FORECAST AT 28 BILLION (25.66), AN INCREASE

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OF 9.1 PERCENT OVER 1976. BUDGET MAKES SEVERAL TAX CHANGES, INCLUDING "UP TO" 80 PERCENT INCREASE IN TAX ON ALCOHOLIC BEVERAGES, EXEMPTIONS FOR RETURNING RESIDENTS, EXEMPTIONS FROM BUSINESS TAX FOR ENTERPRISES WITH A TURNOVER OF LESS THAN 20,000, EXEMPTIONS FOR LOW PRICED (BELOW 100,000) HOUSING BUILT BY INDIVIDUALS OR COOPERATIVES, AND CONSOLIDATION OF SEVERAL TAXES NOW APPLIED TO STATE ENTERPRISES INTO A SINGLE TAX. THIS LAST IS PRESENTED AS A MAJOR REFORM THAT WILL APPLY TO 10 ENTERPRISES AND ONE PROVINCIAL ADMINISTRATION THIS YEAR BUT WILL LATER BE EXTENDED TO ALL SUCH ENTITIES. PRETROLEUM REVENUES SAID TO ACCOUNT FOR MORE THAN HALF OF TOTAL REVENUE.

5. INCREASE IN CURRENT EXPENDITURES ATTRIBUTED TO 9.8 PERCENT RAISE FOR GOVERNMENT EMPLOYEES (RETROACTIVE TO SEPTEMBER 1, 1976), SOME 17 THOUSAND NEW TEACHERS FOR 343 THOUSAND (SIC) NEW PRIMARY AND SECONDARY STUDENTS, INCREASE TO 721 MILLION (656) FOR MEDICAL ASSISTANCE, AND INCREASE TO 426 MILLION (383) FOR VETERANS' PENSIONS. PRICE SUBSIDIES FOR BASIC FOODSTUFFS EXPECTED TO DROP TO 1.3 BILLION (2.2) BECAUSE OF LOWER WORLD FOOD PRICES.

6. INCREASE IN CAPITAL BUDGET LARGELY DEVOTED TO "ECONOMIC AND ADMINISTRATIVE INFRASTRUCTURE," EDUCATION, HOUSING, AND COMMUNAL AND URBAN DEVELOPMENT.

7. STATE ENTERPRISES (WHICH ARE BUDGETED SEPARATELY)
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PLAN TO INCREASE INVESTMENT 44 PERCENT TO 25 BILLION (17.4). ADDING THIS TO THE 11.9 BILLION CAPITAL BUDGET, ELMOUDJAHID FIGURES TOTAL PLANNED INVESTMENT IN 1977 OF 36.9 BILLION, OR 58 PERCENT (SIC) OF THE PROJECTED GDP OF 63.8 BILLION, AGAINST 49 PERCENT IN 1976.

8. MINISTER PUT INFLATION AT 12 PERCENT FOR ITEMS HAVING AN "OFFICIAL PRICE" AND CLAIMED "IMPORTED INFLATION" WAS RUNNING AT 100 PERCENT.

9. ON TRADE AND PAYMENTS, MINISTER STRESSED NEED TO MAINTAIN "FINANCIAL AND ECONOMIC INDEPENDENCE." HE CLAIMED THAT THE COUNTRY WAS ABLE TO TAKE ON GREATER DEPT SERVICE PAYMENTS. HE PUT FOREIGN EXCHANGE RESERVES AT THREE MONTHS' IMPORTS. (NOTE: IMPORTS WERE SDR 4.4 BILLION IN 1975.)

10. COMMENT: ALGERIA IS CLEARLY MAINTAINING AND

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EVEN INCREASING ITS EMPHASIS ON INDUSTRIALIZATION AND EDUCATION, THE LEVEL OF INVESTMENT IS EXCEPTIONALLY HIGH AND GROWING, ALTHOUGH THE INVESTMENT FIGURE OF 58 PERCENT OF GDP MAY BE MORE THAN A CONVENTIONAL NATIONAL ACCOUNTING CALCULATION WOULD PRODUCE.
TAX RELIEF FOR RETURNING RESIDENTS IS EVIDENTLY AN EFFORT TO ENCOURAGE RETURN OF SKILLED WORKERS FROM FRANCE. TAX ON ALCOHOL IS EFFORT TO DISCOURAGE CONSUPTION IN LINE WITH GOVERNMENT'S GREATER EMPHASIS ON ISLAMIC ORTHODOXY. ARTICLE IS SINGULARLY UNINFORMATIVE ABOUT DEFENSE (ON WHICH IT SAYS NOTHING), THE BALANCE OF PAYMENTS, AND FOREIGN DEBT. RESERVES FOR THREE MONTS' IMPORTS WOULD BE ON THE ORDER OF $1.4 BILLION, COMPARED WITH $2.2 BILLION IN RESERVES REPORTED TO THE IMF IN OCTOBER.
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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Executive Order: N/A
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Subject: GOVERNMENT BUDGET FOR 1977
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Type: TE
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